

# Retiree News

& Notes

A Quarterly Newsletter for Retirees from the State Retirement & Pension System of Maryland

## Elections slated for Board

Retirees and active members of the State Retirement and Pension System (SRPS) will choose two from their ranks to serve on the System's Board of Trustees in elections slated for May, 2003.

The State Retirement Agency will begin accepting nominations

(Continued on page 4)

## COLA effective with July benefit checks

Eligible retirees will receive a 2.83% cost-of-living adjustment (COLA) effective with their July benefit payments. The following are frequently asked questions by retirees about the COLA.

- Q. *Who qualifies to receive the COLA this July?*
- A. A retiree who has completed at least one year of retirement as of July 1, 2002, qualifies for this year's COLA. Those who retired after July 2001 (August 2001 or later) will receive their first COLA increase in July 2003.

The annual COLA does *not* apply to most legislative or judicial retirees. Retirees from the legislative and judicial systems receive adjustments based on the increases received by active legislators and judges.

- Q. *Which check shows the new COLA increase?*

(Continued on page 4)

## Trustees elect William Donald Schaefer, Nancy K. Kopp as Chairman, Vice Chairman of Board

The Board of Trustees of the State Retirement and Pension System of Maryland in June elected Maryland Comptroller William Donald Schaefer Chairman of the Board. Mr. Schaefer has held an *ex officio* seat on the Board since taking office as Comptroller in 1999. Prior to his election as Chairman, Mr. Schaefer served successively as the Board's Vice Chairman and Acting Chairman. He also sits on

the Board's Investment and Executive Committees and Real Estate Subcommittee.

The Board also tapped State Treasurer Nancy K. Kopp to serve as Vice Chairman. Following her election as State Treasurer in February, Ms Kopp has held an *ex officio* seat on the Board. She also serves on the Board's Investment and Executive Committees.\*

## Legislative update

This year's session of the Maryland General Assembly was a busy one for pension issues. Maryland legislators enacted and Governor Parris N. Glendening has signed new legislation affecting retirees of the State Retirement and Pension System (SRPS). Three of those bills are summarized below. Signed bills became effective July 1, 2002.

### House Bill 394: Optional Forms of Allowance - Designated Beneficiaries

Synopsis: Permits a retiree who elected Option 5 or 6 at retirement to name a new beneficiary after the death of the original beneficiary and after the benefit has "popped up" to the Basic Allowance. The retiree's benefit will be recalculated based on the ages of the retiree and new beneficiary.

### House Bill 395: Disability Retirees - Temporary Suspension of Allowance

Synopsis: Permits the Board of Trustees to temporarily suspend the retirement allowance of a disability retiree who is employed by a participating employer at a salary that is equal to or greater than the average final salary at retirement. The benefit may be reinstated when the retiree is not working or is earning less than the average final salary. This legislation does not apply to retirees who began receiving their disability retirement benefit prior to July 1, 1998.

### Senate Bill 477: State Police Retirement System - Retirees - Reemployment as Sheriffs or State's Attorneys

Synopsis: Permits a retiree who is receiving a service or vested retirement allowance from the State Police Retirement System **and** is serving as a sheriff or state's attorney for a participating county to earn a second State-provided pension while holding that office.\*

# How employment affects your pension check

For retirees of the State Retirement and Pension System (SRPS), certain types of employment are subject to an earnings limit. Reemployment rules discussed in this article apply for retirees of the following systems:

- Employees' and Teachers' Retirement,
- Employees' and Teachers' Contributory and Non-Contributory Pension and
- Correctional Officers' Retirement.

This text pertains to the above systems only. Special rules apply for retired judges, legislators, State Police, law enforcement officers and fire fighters. Contact the Retirement Agency for details.

## Earnings limits

If your compensation for employment after retirement exceeds your earnings limit, your retirement or pension benefit may be reduced. Prior to accepting work with *any* participating employer, SRPS retirees are required by law to notify the Retirement Agency in writing of their anticipated earnings.

## Earnings limit exemptions

Retirees from the Employees' and Teachers' Retirement and Pension Systems are exempt from an earnings limit if they:

- are receiving a service allowance or, if retired early, have been retired at least 12 months *and*
- accept work with an employer *other than* their employer at the time of their last separation from participating employment.

All units of Maryland State government, including the University of Maryland System, are considered to be *one employer* under these reemployment rules.

A similar exemption applies for service retirees of the Correctional Officers' Retirement System. These retirees are exempt from an earnings limit if they accept work with an employer *other than* a unit of Maryland State government.

Service retirees of the Employees' Retirement and Pension Systems who accept *contractual* employment with the Department of Health and Mental Hygiene are exempt from earnings limits, under certain conditions. To qualify for the exemption, these retirees must be

reemployed as health care practitioners at eligible state facilities, chronic disease centers or county boards of health between July 1, 2001, and June 30, 2004.

Service retirees from the Employees' and Teachers' Retirement and Pension Systems and Correctional Officers' Retirement System are exempt from earnings limits after 10 years of retirement.

No earnings limits apply for service retirees who are self-employed or who work for non-participating employers (i.e., those that do not offer SRPS benefits). Retirees who accepted an accidental disability retirement also are not subject to an earnings limitation. (See "Disability retirees" on page 4 for more information.)

## Who is subject to an earnings limitation?

A service retiree or an early service retiree who has been retired early for at least 12 months is subject to an earnings limit if he or she returns to work for the *same* employer (i.e., the retiree's last participating employer before final separation from employment). Remember: All units of Maryland State government, including the

## Special earnings limit exemptions apply for teachers, principals

Eligible teachers and principals who return to work in certain Maryland public schools or subject areas enjoy special exemptions from earnings limits. These exemptions apply *only* for service retirees and early retirees who have been retired early for 12 months. Review the following eligibility criteria to determine if the exemptions apply for you.

### Exemption for teachers

Earnings limits do not apply for a retiree of the Teachers' Retirement or Pension Systems who:

- is or has been certified to teach in the State of Maryland, and
- has verification of satisfactory or better performance in the last assignment prior to retirement, and
- has been appointed in accordance with §4-103 of the Educa-

- tion Article, and
- is employed as a classroom teacher or substitute classroom teacher, or as a teacher mentor or substitute teacher mentor, in an eligible school or subject area as determined by the State Board of Education.

Note: A teacher or teacher mentor must receive satisfactory or better performance evaluations each year to continue with the earnings limitation exception.

### Exemption for principals

Earnings limits also do not apply for a retiree of the Teachers' Retirement or Pension Systems who:

- was employed as a principal within five years of retirement *or*
- was employed as a principal within 10 years of retirement

and, in the last assignment before retirement, was employed in a position supervising principals *and*

- has verification of better than satisfactory performance for each year as a principal, or in a position supervising principals, prior to retirement, and
- based on the retiree's qualifications, has been hired as a principal.

NOTE: A principal must receive verification of better than satisfactory performance each year to continue with the earnings limitation exemption.

The earnings limit exemptions for teachers and principals described above are effective until June 30, 2004.\*

University of Maryland System, are considered to be *one employer*.

Early service retirees who have been retired early for fewer than 12 months are subject to an earnings limit if they return to work for any participating employer. The earnings limit may then be lifted, depending on the employer, once the retirees have been retired for 12 months.

Ordinary disability retirees who accept employment with *any* employer are subject to an earnings limit until they reach normal retirement age for their system.

What is my earnings limitation?

For a service retiree, the earnings limit is equal to the difference between his or her average final salary (AFS) at retirement and the Basic Allowance annualized.

Earnings Limit = AFS - Basic Allowance annualized

For a person who accepts an ordinary disability retirement, the earnings limit is the difference between his or her average final salary at retirement and Basic Allowance annualized plus \$5,000.

Earnings Limit = AFS - Basic Allowance annualized + \$5,000

These figures are listed on the Notice of Retirement Allowance sent to each member upon retirement.

Remember, the Basic Allowance annualized is the maximum benefit available to a retiree. This figure is used in the calculation of earnings limits even if you choose to receive your monthly payment allowance under another option.\*

Participating employers — at a glance

- ♦ Maryland State agencies
- ♦ University of Maryland System
- ♦ public schools and libraries
- ♦ community colleges
- ♦ counties, cities, towns and other municipal corporations that offer SRPS benefits

Reemployment at a Glance Employees' and Teachers' Systems Only			
Type of Employment	Service Retirement	Ordinary Disability	Accidental Disability
Private industry, federal government, out-of-state and other non-participating employers or self-employment	1	3	1
Employment with a participating employer <i>other than</i> your employer at the time of your last separation from participating employment	1	3*	1*
Employment with the <i>same</i> participating employer (i.e., your last participating employer before your final separation from employment)	2	3*	1*
Retired teacher or principal in eligible employment under §22-406 or §23-407 of the State Personnel and Pensions Article	1	NA	NA

### Key to Numbers in the Table

1

No salary restrictions apply. You continue to receive your full monthly SRPS allowance regardless of your employment income.

**Exception** - Early service retirees who return to work for a **participating** employer have an earnings limit until they have been retired 12 months.

2

Your retirement allowance is reduced one dollar for every dollar you earn in excess of your limit.

**Exception** - Members who retire with an average final salary (AFS) of less than \$10,000 are exempt from the salary limit.

**Exception** - The earnings limit is waived after 10 years of retirement. With the exception of a January 1 retirement date, the

3

Your retirement allowance is reduced one dollar for every two dollars you earn in excess of your limit. After 10 years of retirement, the reduction is one dollar for every five dollars you earn more than the limit. Salary restrictions are lifted on January 1 following the year you reach normal retirement age for your system.

10 year period begins on January 1 of the year following the year of retirement.

**Exception** - Persons who retired under the 16-year rule should contact the Retirement Agency for reemployment policies.

**Exception** - A retiree who is elected to office as a local official or constitutional officer of a participating municipal corporation continues to receive his or her state pension while earning a salary.

\* Certain employment may cause a disability retiree's allowance to be suspended. Review the article on page 4 for details.

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# Elections slated for Board

(Continued from page 1)

for a Teachers' System representative and an Employees' System representative to the Board on August 14, 2002. These seats are currently held by Carl D. Lancaster and Dr. Ali A. Alemi, respectively. Mr. Lancaster has served on the Board since 1987 and Dr. Alemi since 1999. The Trustees chosen in next year's election will serve terms from August 1, 2003, to July 31, 2007.

Prospective candidates for both positions may be either active or retired members of the appropriate systems. Each prospective candidate also must obtain a total of 500 signatures on official nomination petitions to be entered on the ballot as a candidate for the Board. Persons signing nomination forms are no longer required to provide their Social Security number.

Nomination petitions will be available beginning August 14, 2002. To receive a nomination petition, contact William Legg, Assistant to the Retirement Administrator, at 410-625-5612 or toll free at 1-800-492-5909.

The SRPS Board of Trustees is responsible for establishing policy, overseeing system investments and representing member interests.\*

# Disability retirees: Certain employment may cause your benefit to be suspended

New legislation enacted in Annapolis this year has altered the conditions under which a disability retiree's benefit allowance may be suspended if the member retired after June 30, 1998.

Retirees who are receiving a disability retirement allowance should be aware that their allowance may be temporarily suspended if they are employed by a participating employer at an annual compensation that is at

least equal to their average final compensation.

If suspended, a retiree's allowance will be reinstated on the first day of the month following the month in which the retiree ceased employment with the participating employer. The retiree's allowance at the time of reinstatement will be adjusted to reflect any accumulated cost-of-living adjustments made during the period of suspension.

For more information, contact a retirement counselor at 410-625-5555 or toll free at 1-800-492-5909.\*

## COLA effective with July benefit checks

(Continued from page 1)


- A. Qualifying retirees will see the adjustment in their July 31, 2002 retirement checks.
- Q. Does my system limit its COLA?
- A. Certain State Retirement and Pension System plans limit the COLA rate to a maximum of 3% or 5%. This year's rate of 2.83% does not exceed the limit for any SRPS plans.\*

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